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TO RUEHC/SECSTATE WASHDC PRIORITY 7858
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INFO RUEHFK/AMCONSUL FUKUOKA 3316
RUEHNH/AMCONSUL NAHA 5729
RUEHNAG/AMCONSUL NAGOYA 2266
RUEHKSO/AMCONSUL SAPPORO 4043
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USTR FOR PUBLIC AFFAIRS OFFICE;
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CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

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SUBJECT: TOKYO MEDIA REACTION - OIL PRICES

LEAD STORIES: All Tuesday morning papers led with the assignment on Monday of key party posts in the ruling Liberal Democratic Party following the conclusion of the election on Sunday of former Chief Cabinet Secretary Fukuda as party president.

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"Speculative Funds Flood Oil Market" The top-circulation, moderate Yomiuri editorialized (9/25): "It must be a side effect of the move by countries around the world to ease monetary supplies. Crude oil in New York hit a record high of \$84 a barrel. Ironically, the price surge accelerated immediately after OPEC decided on a 500,000-barrel-a-day production increase.... Many experts attribute the rise in oil prices to an influx of speculative money, including investment funds, rather than an increase in demand.... The most effective way to fundamentally put a halt to rising oil prices would be to tighten monetary policy worldwide and get investment funds out of the commodities market. This kind of radical measure, however, cannot be taken until the unrest in the market set off by the subprime loan problem has settled down.... We hope OPEC will consider an additional production increase. Although the global economy has continued to expand even in the face of high oil prices, there are growing concerns about inflation."

SCHIEFFER